

## INTRODUCTORY

1. In May 1967 the government published its White Paper on Public Purchasing and Industrial Efficiency (Cmnd. 3291) which mentioned the ways in which the government, as a major purchaser, is able to influence industry. The White Paper emphasised the government's wish to use the purchasing power of the whole of the public sector to promote industrial efficiency and to help exports. Of the public sector outside central government departments, the White Paper said (paragraph 28) "... The total value of purchases by the rest of the public sector is substantially greater than that of purchases by the Central Government. ... The Government propose therefore to invite the co-operation of local authorities, the nationalised industries and other public bodies, in a review of the ways in which the Government's objectives in the field of public purchasing can best be developed in the rest of the public sector."

2. In keeping with that statement the Ministry of Housing and Local Government invited the local authority Associations and the Greater London Council to join with central government departments to form a joint review body. As a result we were set up as the Joint Review Body on Local Authority Purchasing. We held our first meeting on 4th October, 1967, and our final meeting on 25th October, 1968. For the most part our deliberations were in a committee formed from those members of the Review Body nominated by the local authority Associations and the Greater London Council, but this is the report of us all.

## TERMS OF REFERENCE

3. At our first meeting we adopted the following terms of reference: "To review local authority purchasing practices and in particular to review the ways in which the government's objectives set out in Cmnd. 3291 can best be attained in the field of local authority purchasing."

## GENERAL APPROACH

4. The objectives set out in Cmnd. 3291 may be summarised as "the provision of positive encouragement to British industry to make itself more efficient and competitive". The White Paper outlines certain purchasing practices and techniques which central government departments use and which contribute to that end. Those practices and techniques—for example, variety control, standardisation, quality assurance schemes, co-ordination of purchasing—appear at first sight to give a framework for consideration of how any other sector of public purchasing might play a similar part in encouraging industry.

5. At an early stage of our discussions however it became apparent to us that the local authority sector of public purchasing did not lend itself to so

straightforward a review as that. Neither the structure nor the practices of the many individual authorities which together make up the local government sector are uniform. The purchasing expertise available varies considerably from authority to authority. Above all, the total purchasing activity is very widely dispersed and is unco-ordinated. We concluded therefore that we ought not to concentrate on the techniques of purchasing but ought first to examine the overall organisation, with a view to making recommendations aimed at ensuring that local authorities are able "to obtain what is needed, at the right time and in such a way as to secure the best value for money" (paragraph 4 of Cmnd. 3291 states that as the *primary* objective of central government purchasing). It seems to us that attainment of the same objective throughout the local government sector is an essential first step. If an effective system of advice, encouragement and co-ordination can be established to that end, then the application by local authorities of techniques and practices which will stimulate and encourage industry will follow. Thus, in presenting what we ourselves accept as being essentially a "machinery" report, we recognise that it can be no more than a beginning to the more effective use of local authority purchasing in achieving national objectives.

## THE PRESENT SITUATION

6. It may be helpful if we outline the background against which our review has been carried out and this is done in paragraphs 7-10 below.

7. *Purchasing within an authority.* Although it is likely that all local authorities have well defined procedures for purchasing and that a large part of local government expenditure is based on competitive tendering there are wide variations between authorities in the way that the purchasing function is organised. Some large authorities have separate supplies departments handling all purchasing on behalf of user departments; on the other hand many small authorities have no centralised arrangements for purchasing. Between those two extremes there is a number of forms of so-called central purchasing: some authorities, although employing specialist purchasing staff, exclude certain commodities or departments from that staff's sphere of action; in some authorities which do not employ specialist buyers those departments which are the major users of particular items act as suppliers to whichever other departments also require the items; a few authorities combine manufacturing and maintenance activities with arrangements for central purchasing; some have their own warehouses and stores, others do not.

8. *Co-operation in purchasing between authorities.* As long ago as 1932 the Ray Committee said:

"... small authorities whose areas adjoin those of larger authorities where central purchasing is already in force should take advantage of the economies to be secured by using the purchasing machinery set up by the larger authority". Some thirty years later (1963) a research study commissioned by the Institute of Municipal Treasurers and Accountants, stated:

"Perhaps the most disappointing result of our enquiries was the obvious lack of co-operation between authorities in purchasing their requirements".

9. The underlying reason for this apparent lack of enterprise may have been the legal position of most local authorities: there is no general statutory power authorising one local authority to purchase goods on behalf of another. And little or no use for purely purchasing purposes seems to have been made of the power given to authorities by section 91 of the Local Government Act 1933 to appoint joint committees. On the other hand, a number of counties and county boroughs do have powers, under local acts, to supply goods to other local authorities in or near their geographical areas and to purchase and store for that purpose. The G.L.C. have power under the London Government Act 1963 so to act for the London Boroughs and certain other bodies which are not local authorities.

10. *Consortia.* In roughly the last decade there has been a move towards the formation of consortia of local authorities, especially in the educational and housing spheres. Under such arrangements local authorities have co-operated to negotiate favourable terms of supply on the basis of their combined requirements.

## METHOD OF REVIEW

11. Against the background given above we considered the following particular topics:

- (a) central purchasing and the case for regarding purchasing in the local authority sector as a specialist function;
- (b) the case for national co-ordination of local authority purchasing activities;
- (c) the legal and financial aspects of co-operation between authorities;
- (d) short-term measures in advance of any long-term policy for national co-ordination;
- (e) the role of existing consortia;
- (f) the use by local authorities of the purchasing facilities of central government departments, and reciprocal arrangements.

These topics are examined in the paragraphs which follow.

## CENTRAL PURCHASING AND PURCHASING AS A SPECIALIST FUNCTION

12. Because the term "central purchasing" as used in the local authority sector covers a variety of different practical arrangements for purchasing, we tried to concentrate our discussions on the fundamental issue of whether purchasing in the local authority sector should be regarded as a specialist function. However we felt obliged to start by looking at two particular arguments often put forward against the establishment by local authorities of "central purchasing departments", viz:

- (a) some departments of a local authority are highly specialised, and purchasing for those departments calls for specialist knowledge possessed only by their own officers;
- (b) the establishment of a separate purchasing organisation results in new overhead costs; as a result user departments may pay more for goods than was paid when those departments purchased direct.

13. The first argument may well be valid against the so-called central purchasing arrangements whereby one user department, not employing a specialist buyer, contracts on behalf of a number of other user departments. But the real issue is that it is one thing to know what is needed but a quite different thing to know how to buy it most advantageously. The specialist buyer is trained to do just that. Further, he is unlikely to act in isolation; as a matter of professional practice he will seek other specialist technical advice as appropriate (and should always have express authority to do so). In short it seems to us that if specialist knowledge is the criterion the person to assume primary responsibility should be the buying specialist, the supplies officer.

14. The second argument is often heard but it seems to us that it overlooks the fact that buying by individual departments also attracts overhead expenses. The common situation is that those expenses of buying are not shown separately from the general administrative expenses of user departments. Indeed the extent of those expenses is often not known; the cost of purchasing may be revealed for the first time when purchasing is done centrally.

15. More positively we note that in commercial organisations, the nationalised industries and those government departments which are major purchasers, it is now generally accepted that purchasing is best (i.e., most efficiently and therefore economically) carried out by staff trained specifically for that purpose. So far as central government departments are concerned, we noted with particular interest that in the hospital service (where supply has long been regarded as a specialist function) there has been a recent review of the organisation for the purchase and distribution of goods and equipment. We understand that the Ministry of Health supply division is being strengthened by the setting up of a hospital supply branch which will be responsible for determining the levels at which, and the methods by which, various goods should be purchased.

16. If the soundness of the approach and practice of these other elements of the public purchasing sector is accepted, it seems to us that any large local authority ought also to do its buying through staff trained for that purpose. Many local authorities have of course already accepted that view and have established purchasing organisations. We have examined evidence, primarily information set out in annual reports, which shows that those authorities are satisfied that monetary savings and other significant advantages have resulted. For example, we noted the case of a county borough where the purchasing organisation had sponsored an enquiry into the correct utilisation of fuel; as a result the authority was able to reduce its annual fuel bill by over £30,000. The same authority negotiated with furniture manufacturers so that almost every leading manufacturer agreed to supply the authority direct; this elimination of the need to purchase through retail sources or contract houses was estimated

to give an average price reduction on items of 23%. In a case history of combating a "price ring" on a certain product required by a county's roads department, we saw an example of how very much more far-reaching than mere "bulk buying" is the expertise and experience which an authority can rely on when its purchasing is entrusted to specialists. The same authority provided us with the example of the printing firm which was quite willing to reduce its charges to the county by some 40% when the county's purchasing department was able to demonstrate the true cost of production of the items being supplied. We looked at a statistical summary covering the first eleven years of life of another county borough's purchasing department. The summary was strictly confined to yearly savings which had been mathematically substantiated (not included, for example, were savings where contract prices had been kept constant despite rises in general market prices). Over the eleven years the total savings were in excess of half a million pounds. We were interested to see that that county borough had estimated the cost of its purchasing organisation at a figure which was equivalent to a rate of less than  $\frac{1}{4}$ d. in the £. In short, we believe there is no doubt at all that employment of buying specialists by local authorities has brought significant and measurable savings. Prices as such are not the only consideration; other factors of great importance are the quality and suitability of goods and the availability of specialist buying advice to all departments of an authority. We are satisfied that in those respects too a local authority is best served through specialist buying staff.

17. *We conclude therefore* that if the scope and volume of the total of a local authority's purchasing are large it is prudent to treat that purchasing as a separate and major function and to entrust it to specialist officers in the same way that, as a matter of course, other major functions are entrusted to experts in the appropriate field. Not only would that be rational but it would be in keeping, as already said, with the practice and satisfactory experience of commercial concerns, of central government departments and of those local authorities who have established purchasing organisations.

18. Whilst we emphasize the importance of treating purchasing as a separate and specialist function we are not concerned with how that importance is to be translated into departmental organisation within a local authority. We wish though to say something about the overall control of a local authority's purchasing arrangements since we believe the point involved is one of principle rather than of organisation, and of especial importance at the time when a local authority comes to consider the introduction of a system of specialist purchasing. The principle, one of public accountability, is that control of purchasing should be independent of users. Thus, we believe that whatever the departmental organisation, there should be a non-user committee or sub-committee to formulate the general purchasing policy within which user committees should work.

## NATIONAL CO-ORDINATION OF LOCAL AUTHORITY PURCHASING

19. We have already summarised the government's objectives set out in Cmnd. 3291 as the provision of positive encouragement to British industry to make itself more efficient and competitive. In the light of our conclusion in

paragraph 17 above the question is thus prompted: would more general reliance on specialist purchasing staff by local authorities in itself assist in making British industry more efficient and competitive? We have no doubt that it could assist significantly. The beneficial effects of skilled buying do not accrue only to the buyer. Put at its very simplest, if specialist purchasing advice leads only to the introduction of skilled buying in bulk then not only will the local authority in question buy more cheaply, but efficiency in production will be stimulated since buying in bulk necessitates limiting excessive varieties of the same product and reducing designs to a reasonable number. Such effects in their turn mean that manufacturers receive larger orders and can rely on longer production runs; manufacturers are thus able to invest in improved methods of production and to spread the cost of research and development more widely. Whilst not pretending that this cursory summary of cause and effect is by any means the complete picture, we feel confident in saying that greater use of purchasing expertise by local authorities would not only bring them economic benefits, it would play a useful part in stimulating British industry. We are content to treat the matter so cursorily only because we believe the real problem goes much wider than the individual approaches of local authorities to "central purchasing". Although we accept without reserve that local authorities must remain free to make their own policy decisions on these matters we believe the potential influence of local authority purchasing power viewed as a whole is such as to call for a more positive approach than that which simply hopes for more efficient buying by individual local authorities. We believe the full realisation of that potential demands some form of national stimulation and co-ordination which will actively promote more efficient buying and guide, advise and encourage local authorities to that end.

20. We considered therefore how national co-ordination could best be effected. We felt it advisable to examine certain aspects of the problem in some detail and so arranged for two pilot studies to be carried out on our behalf. Details are given in Appendix 1 and we wish to thank the officers named there for their considerable help. We also acknowledge with thanks the support given by the local authority Associations, the G.L.C. and the local authorities who provided the officers for the pilot studies.

## FORM OF NATIONAL CO-ORDINATION

21. As a result of our deliberations and in the light of the pilot studies we *conclude* that purchasing by local authorities could effectively be co-ordinated under a system such as that shown diagrammatically in Appendix 2. That diagram should be read in conjunction with the explanatory paragraphs 22-31 which follow.

22. *The National Advisory Committee for Local Authority Purchasing* is seen primarily as providing a permanent service of authoritative advice to local authorities on how to buy to their best advantage and generally on specialist and technical questions of purchasing. Its membership, its secretariat, and the membership of the supporting committees must always be such as to ensure that service. The committee will also be available to act as a spokesman for local authority purchasing as a whole, for example in discussion with sectors of

industry and with central government and the nationalised industries. No such ready and expert channel of communication exists at present and we consider its establishment would greatly facilitate the possibility of using local authority purchasing in the furtherance of national objectives such as those already set out in Cmd. 3291, or which may be promulgated from time to time. The committee would communicate primarily through "major purchasing authorities" (see paragraph 28 below) but the essence of the system envisaged is that the general purchasing policy for any area should be formulated by all the authorities involved.

23. *The National Advisory Committee* should be composed as follows:

- (a) five local authority (elected) members, one to be nominated by each of the local authority Associations and the G.L.C.; the committee chairman should be elected from amongst those members;
- (b) ex-officio, the chairman of the Standards Committee and the chairman of the Joint Contracting Committee;
- (c) a representative of the Ministry of Housing and Local Government acting as assessor.

24. *Secretariat.* The whole concept of the National Advisory Committee demands that it, and its supporting committees, be served by a secretariat whose senior staff are of calibre, qualifications and experience such as will merit the respect and confidence of those in local authorities and other public bodies with whom the secretariat will be in touch. It follows that the senior staff (two or three are likely to be sufficient) must together have qualifications and experience to cover administration, public sector purchasing, and design (see also paragraph 5 under Pilot Study No. 2 in Appendix I).

25. *Technical panels.* These will be *ad hoc* groups of local authority officers and others, with appropriate specialist qualifications, assembled by request of the National Advisory Committee. In the first place the panels will consider particular products or groups of products with a view to:

- (a) ascertaining the existing purchasing methods, the pattern of demand and the scale of local authority expenditure on those products;
- (b) ascertaining the existing structure of the supplying industries, their current commercial practices and the pricing arrangements;
- (c) in the light of (a) and (b) above, assessing what degree of co-ordination or further co-ordination of local authority purchasing is likely to be of significant benefit to authorities.

Reports from technical panels will go to the Joint Contracting Committee and to the Standards Committee. Subsequently the technical panels will reconvene as advisers to the latter committee (see paragraph 26 below).

26. *The Standards Committee* should be composed as follows:

- (a) a local authority supplies officer as chairman;
- (b) the chairman of the Joint Contracting Committee, ex-officio;
- (c) a representative of the Council of Industrial Design;

- (d) from the British Standards Institution the Chairman of the Local Authorities' Standards Advisory Committee together with one technical officer;
- (e) a local authority officer representative of each of the following interests: architects, clerks, education, engineers, finance.

The committee will maintain a register of specialist local government officers and other suitably qualified persons who are available to serve on technical panels (paragraph 25 above). The committee, working through technical panels as necessary, will consider any product which is or may be more advantageously bought by co-ordinated purchasing arrangements, with a view to recommending to the National Advisory Committee:

- (a) what research and value analysis is desirable;
- (b) what action is desirable on design, specification, standardisation and variety control and how that action should be taken.

27. *The Joint Contracting Committee* should be composed as follows:

- (a) local authority officers as follows: three supplies officers (one to be chairman), one legally qualified officer, and one treasurer;
- (b) co-opted members as may be required; for example from central government purchasing departments, the nationalised industries, manufacturers, professional bodies, hospital authorities, local authorities with a special interest in the arrangements being discussed.

The committee will consider reports from the technical panels on the desirability of co-ordinated purchasing of specific products. The committee will form conclusions on the level at which local authority co-ordination should be attempted and the scope of co-ordination, if any, which may be possible with purchasers in the public sector outside local authorities. In reaching their conclusions the committee will consider the danger, especially where co-ordination on a national scale is envisaged, of co-ordinated purchasing leading to the elimination of effective competition between suppliers and the consequent emergence of a monolithic supply structure.

The committee will go on ultimately to draw up detailed proposals for joint negotiations with suppliers; these will be submitted to the National Advisory Committee together with recommendations on contacting local authorities and, if appropriate, other purchasers in the public sector, about participation in the proposed negotiations.

## MAJOR PURCHASING AUTHORITIES

28. This is a deliberately loose term intended to be valid regardless of any change in the organisation of local government. A major purchasing authority has no minimum size; the main criterion is that the authority is employing specialist purchasing staff through whom it can take an active lead in fostering more efficient purchasing within a wide geographical area of which the major purchasing authority forms part. It is envisaged that the major purchasing authority will act together with its neighbouring authorities to produce an agreed purchasing policy for the area, a policy which will both bring together all the available buying expertise in the authorities concerned and give to all authorities the benefits of better purchasing terms which their combined demands may make possible.



29. The first requirement for an area purchasing policy will be for all authorities concerned to agree the methods to be used for acquiring specified goods. Thus, some goods may be obtained through contractual arrangements following competitive tendering on the basis of firm quantities and precise specifications; other goods will be obtained under suppliers' "standing offers", offers accepted after competitive tendering and valid for a fixed period of time but having no firm commitment as to quantities to be purchased; and some buying will be through direct negotiation with suppliers. At the same time it may be agreed that some items or services (for example, printing and the repair of educational equipment) shall be provided from the authorities' own resources rather than by outside contractors. The specialist buying policy of an individual authority is formed from decisions on just these points. The proposal now is that a similar consideration should be given by a group of authorities whose combined buying power will give increased influence on suppliers and bring financial benefits to the participants. A major purchasing authority will be qualified to give the lead in arriving at an area policy but we consider it essential that a keen sense of participation should be fostered in the other authorities in order to promote their greater interest in taking full advantage of the opportunities available for obtaining goods on the best available terms.

30. An area policy also requires consideration, on the one hand, of warehousing and central storage and, on the other hand, of the system of direct supply, i.e., arrangements whereby a supplier delivers direct to user authorities (or user departments of an authority). So far as warehousing (central storage) is concerned, it is unlikely to be economic for adjacent local authorities who are co-operating in purchasing each to hold stocks of the same goods in a number of independent warehouses; rationalisation of area arrangements for central storage will be called for. Further, warehousing will be organised with full efficiency only if modern demand-forecasting and inventory control techniques are used and if proper judgement based on adequate costing-control techniques can be made of whether it is profitable to hold a particular item in stock. The major purchasing authority must be equipped to give the expert guidance needed.

31. In addition to co-ordinating the arrangements for an area purchasing policy the major purchasing authority will have particular responsibility for area co-ordination of "variety control" and "quality control". Again these functions are already an integral part of the working pattern of existing local authority purchasing organisations. However, for those not familiar with the functions outline explanations are given immediately below.

- (a) *Variety Control.* Within local authorities it is quite common for there to be in use a very wide variety of design or type of the same or similar articles. Even in those circumstances, substantial benefits can be obtained by collective purchasing but, generally speaking, full economy will be effected only if the *variety* of articles purchased is reduced. If fewer types of the same article are purchased then individual order quantities will be larger and, generally, lower prices can be expected. There will also be consequential economies in warehousing, distribution and paperwork.

- (b) *Quality Control.* Any system of quality control has two aims, first to specify the use for which an article is required and the qualities thus demanded; secondly to ensure that the article ultimately provided by the supplier does conform to the given specification. Both functions may require the use of qualified staff who are likely to be found only in those local authorities with large purchasing organisations.

(Note: This outline explanation of the function "quality control" should not be taken to imply that local authorities exercising the function will ordinarily act in isolation in drawing up specifications and carrying out checks on the quality of articles received. Existing British Standard specifications, the facilities of the British Standards Institution and the Kite-mark quality certification scheme can be of considerable assistance both to local authorities and to their suppliers. These points are made again in Appendix 1 under the heading Pilot Study No. 2).

### THE LEGAL ASPECTS OF CO-OPERATION BETWEEN AUTHORITIES

32. We have already mentioned that there is no general statutory power to enable one local authority to purchase goods on behalf of another. Thus, except where local Acts give the necessary powers, the *ultra vires* rule precludes the sort of co-operation which we regard as fundamental to the more effective use of local authority purchasing as a whole. We therefore welcomed the introduction by Mr. W. S. Hilton, M.P., in the 1967-68 session of Parliament, of his private member's Local Authorities (Goods and Services) Bill which had government support and which, if enacted, would not only have removed the basic legal defect that precludes one local authority from supplying goods to another, but would have authorised a local authority to buy also on behalf of certain other "public bodies" (which term could have included, for example, police forces and universities). We regret that the Bill did not secure a second reading. We consider that early enactment of similar legislation is essential to local authority purchasing making any significant contribution to achieving the aims of the White Paper. And without such legislation our recommendation for the setting up of a national co-ordinating organisation will be meaningless.

### THE FINANCIAL ASPECTS OF CO-OPERATION BETWEEN AUTHORITIES

33. As will be appreciated the working at national level of the system we are suggesting will be dependent to a large extent on the voluntary services of local authority members and officers. We believe we are not being unrealistic in thinking that both local authorities and individual members and officers will be willing to contribute in that way. Thus the main additional expense which will arise is that of establishing and maintaining the small full-time secretariat which is written into our proposals. We considered the feasibility of that expense being wholly met by some self-financing arrangement related to purchasing turnover of authorities participating in the scheme of national co-ordination. We concluded that no such arrangement could readily be made primarily because the National Committee will not itself be a contracting party or directly concerned in the placing of orders under national or area contracts.

## RECOMMENDATIONS

34. In the light of paragraphs 21-33 above we *recommend*:

- (a) that the government should give priority to introducing legislation which would allow all local authorities to supply goods one to another and to contract, purchase and store for that purpose;
- (b) that the Ministries concerned and the local authority Associations should consult together with a view to the setting up at an early date of a co-ordinating organisation on the lines of that suggested in paragraphs 21-27 above;
- (c) that those consultations should take note of what we have said in paragraph 33 above and cover the detailed implications of the establishment and financing of the full-time secretariat.

## SHORT-TERM MEASURES

35. We know that in some cases where existing local statutory powers allow counties or county boroughs to act as suppliers to other local authorities, full use is not being made of that permissive power. We are surprised that authorities, both potential suppliers and potential recipients, do not avail themselves of the considerable opportunities for obtaining better value for money. We saw evidence where a borough after seven years of buying in co-ordination with a county said, "Local ratepayers have been saved many thousands of pounds". But our concern is wider than the potential economic advantages to individual local authorities, important as those may be. Our terms of reference are related equally to the purchasing power of the whole local authority sector. Convinced that more co-operation in purchasing between authorities is a pre-requisite to any increase in the national influence of local authority buying as a whole, we have recommended (above) that the potential of that influence should be realised through removing the existing legal defect and by the setting up of an organisation for national co-ordination. Those are essentially long-term recommendations. We therefore considered whether there were any recommendations we could usefully make for the short-term, that is for the period up to the establishment of an organisation for national co-ordination and/or the enactment of general covering legislation. In so doing we had reference to the map now reproduced as Appendix 3 which shows the potential immediate influence of existing local authority purchasing organisations together with areas of concentrated population in which no such organisation exists.

36. *We concluded* that in the period mentioned the onus for action must be with individual local authorities, in the first place those authorities embraced by existing (local Acts) legislation. We hope that local authorities will realise that much more is at stake even than local economic benefits and that much can be achieved in advance of the implementation of our long-term recommendation for co-ordination. If the national legislation we have recommended were to be enacted in the near future that alone would permit a great deal to be achieved, especially in populous areas not already covered by local Act powers but in which there are authorities whose size earmarks them as potential major purchasing authorities in the sense that we have used that term in this report.

Even in advance of such legislation much could be achieved by neighbouring local authorities combining to negotiate favourable terms with suppliers on the basis that the demand in question is the total demand of all the authorities and that each will purchase on the negotiated terms. *We therefore recommend* that in advance of the enactment of new legislation the Ministries concerned and the local authority Associations should encourage those local authorities already covered by local Acts to make full use of the powers in those Acts; should encourage other local authorities to consider the sort of joint negotiation with suppliers we have mentioned; and should be prepared to guide local authorities on how to use the new legislation when enacted.

## LOCAL AUTHORITY CONSORTIA

37. As already mentioned, we took note of the existence of a number of consortia of local authorities under which bulk buying arrangements are made. It is clear to us that the establishment of consortia has proved of great benefit to the authorities involved. Quite apart from the facilities for more economic buying which have resulted, consortia have done much to facilitate the joint use by local authorities of high capital cost equipment and have been instrumental in securing the many benefits which result from better design. Nonetheless we felt it desirable to consider the possible future of the *purchasing* activities of existing consortia in the light of the more far-reaching recommendations we are making for co-operation in purchasing and in the belief that the principle of treating purchasing as a specialist function is as valid for purchasing by consortia as for any other local authority purchasing.

38. It seems that the original purpose of many consortia now involved in purchasing was to develop designs rather than to foster more economic buying. The latter has proved to be a welcome consequence of the original purpose and serves to point the advantages that local authorities can gain from co-operative buying. However—and perhaps because of the original conception—there are, *prima facie*, irrationalities in the purchasing activities of existing consortia, in particular the geographical limitations which have been drawn. It is possible now for some members of a consortium to be within and some members without another “purchasing area”, e.g. that of a county with powers to supply certain district councils. The cost of the same item to an authority may vary according to whether purchase is made through the consortium or through the area supplies organisation; certainly in some cases purchase through the latter may be cheaper.

39. Implementation of our recommendation for the setting up of a co-ordinating organisation (paragraph 34(b) above) may well give rise, in effect, to competition in purchasing between that organisation and some of the consortia, thus exacerbating an already irrational situation. *We therefore recommend* that implementation of our recommendation should be accompanied by consideration of how the *purchasing activities* of existing consortia can be allied to or incorporated in the new organisation.

## RECIPROCAL PURCHASING SERVICES, CENTRAL AND LOCAL GOVERNMENT

40. In earlier paragraphs where we referred to the co-ordination of local authority purchasing we assumed without comment the possibility of local authorities acting jointly not only amongst themselves but with, *inter alia*, purchasing departments of the central government. That is in accord with our belief that there should be no hard and fast lines drawn between the various elements which together make up the public purchasing sector. We feel that philosophy underlies the White Paper which gave rise to our being set up.

41. We have received Treasury assurance that there is no objection in principle to central government departments making their purchasing expertise and facilities available to local authorities. We understand that certain limited experiments may soon be launched as a start to testing the practical application of that principle. We hope that the period of experimentation may be used also to explore the possibilities of reciprocal arrangements, that is the scope for use by government departments of local authority purchasing facilities. Finally, we feel strongly that none of this experimentation should militate against the professional contact on purchasing matters between local and central government which we foresee as everyday practice if our recommendations for the setting up and functioning of permanent co-ordinating machinery are implemented.

## SUMMARY OF MAIN CONCLUSIONS AND RECOMMENDATIONS

### 42. Conclusions

- (a) if the scope and volume of a local authority's purchasing are large that purchasing should be treated as a major function separate from any user function and should be discharged through specialist purchasing officers;
- (b) greater use of purchasing expertise by local authorities would not only bring them economic benefits, it could play a useful part in stimulating British industry;
- (c) greater co-operation in buying is a pre-requisite to local authority purchasing playing any significant part in achieving the government's objectives set out in Cmnd. 3291;
- (d) the present state of the law whereby, in general, one local authority may not legally purchase goods and materials on behalf of another is a deterrent and an obstacle to greater co-operation;
- (e) even with a change in the law, the degree of co-operation necessary to realise fully the potential influence of the purchasing power of the local authority sector will not be achieved without some form of national guidance and co-ordination;
- (f) thus, a change in the law together with the establishment of national co-ordinating machinery are essential if local authority purchasing is to play any significant part in achieving the government's objectives set out in Cmnd. 3291;

- (g) prior to any new enabling legislation and/or the establishment of national co-ordinating machinery, local authorities can themselves take certain measures to make their purchasing more efficient and economic;
- (h) there are certain irrationalities in the purchasing activities of existing local authority consortia. Those irrationalities ought not to be added to or perpetuated;
- (j) the local authority element of the public purchasing sector should not be viewed in isolation. Active consultation and co-operation in purchasing between all elements of the sector should be accepted practice.

#### 43. Recommendations

- (a) the government should give priority to introducing legislation which would allow all local authorities to supply goods one to another and to contract, purchase and store for that purpose;
- (b) the Ministries concerned and the local authority Associations should consult together with a view to the setting up at an early date of national machinery to co-ordinate the purchasing activities of local authorities and to encourage and promote more efficient purchasing by local authorities;
- (c) in advance of the enactment of new legislation the Ministries concerned and the Associations should:
  - (i) encourage local authorities covered by local Acts powers on supply of goods by one authority to others, to make full use of those powers;
  - (ii) encourage local authorities not covered by such local Acts to combine to negotiate favourable terms with suppliers on the basis of the large demand of the combining authorities;
  - (iii) be prepared to guide local authorities on the use of any new legislation if other national machinery is not then available to give that guidance;
- (d) consideration should be given by the Ministries concerned and the Associations as to how the purchasing activities of existing local authority consortia can be allied to or incorporated in any new organisation set up as the result of our recommendation (b) above;
- (e) the Ministries concerned should consider what part they can play, particularly in advance of the implementation of our recommendation for national co-ordinating machinery, in encouraging consultation on purchasing matters between local authorities and the remainder of the public sector.

#### 44. Secretary

We conclude by expressing our sincere thanks to Mr. C. W. Pratley of the Ministry of Housing and Local Government who has been our secretary throughout and on whom has fallen the main task of drafting this report.

A. L. Burton ( <i>Chairman</i> )	E. F. J. Bignell (Ministry of Public Building and Works)
G. Bowden	C. W. Blundell (Her Majesty's Stationery Office)
G. Carney	D. C. Clark (Ministry of Technology)
J. H. S. Eve	K. F. J. Ennals (Department of Economic Affairs)
D. J. Ewart	L. W. Goringe (Home Office)
H. S. Haslam	L. E. Henderson (Ministry of Transport)
J. E. Hockley	G. G. Hulme (Ministry of Health)
W. L. Hooper	L. R. Mustill (Ministry of Housing and Local Government)
S. J. Kent	S. M. Smith (Department of Education and Science)
A. Morrison	L. W. Smith (Ministry of Defence)
A. S. Peacock	
A. H. M. Smyth	
F. G. Sutherland	
R. G. Walker	

C. W. Pratley (*Secretary*)  
25th October, 1968.

## APPENDIX 1

### *SUMMARY OF TWO PILOT STUDIES CARRIED OUT FOR THE JOINT REVIEW BODY*

#### **Pilot Study No. 1**

1. The purpose of this study was to test the feasibility of using technical panels and to assist in establishing terms of reference for those panels.

2. The study was undertaken under the chairmanship of Mr. J. G. P. DeKnop, an Assistant Director of Supplies of the Greater London Council. The members were:

Mr. G. Bowden, General Manager, Epping and Ongar R.D.C.

Mr. J. F. Heaps, Education Department, Devon County Council

Mr. E. G. Hubbard, Clerk, Walton and Weybridge U.D.C.

Mr. P. Musson, Treasurer's Department, Leicester County Borough

3. The study was asked to consider certain items of stationery. Many such items are bought in very small quantities by a large number of users, particularly schools. The study first examined the possibility that the specialised purchasing and distribution facilities of some authorities should be used on behalf of other authorities within, say, a radius of 50 miles. The panel concluded that no specific recommendations could be made on this possibility in the time available to them since, in practice, support from local authorities for such a change in procedure would be forthcoming only if the authorities were satisfied that there would be overall savings in costs and that in calculating those savings full cognizance had been taken of the possible need for additional accommodation and of the warehousing and distribution costs.

4. The pilot study therefore considered whether any items of stationery, whilst still being ordered by each local authority in whatever way was customary, might more advantageously be ordered from a national (or smaller area) contract. The pilot study had in mind that even in authorities which have no specialised purchasing organisation, stationery is usually ordered centrally. For each of the ten items examined, the pilot study was able to make rough estimates of the likely percentage savings possible for an authority whose demands on their own were fairly small. The likely savings proved to be between 15% and 30%. It is not thought necessary to give the findings of the pilot study in any greater detail since the purpose of the study was to test the feasibility of using technical panels generally in the way now detailed in the main body of this report. As a result of the pilot study, the Joint Review Body was satisfied that the proposed system was workable and they went on to verify terms of reference for technical panels; these are now in paragraph 25 of the report.



5. The pilot study group was subsequently reconvened to report on school desks and chairs as a basis for certain detailed work by Pilot Study No. 2 (below). On this subsequent study Mr. J. H. Gaunt (Supplies Department, Greater London Council) was an additional member.

## **Pilot Study No. 2**

1. The purpose of this study was to test the feasibility of using a committee system to investigate design, variety control, standardisation, quality control and value analysis in relation to goods commonly bought by local authorities, in particular goods which had previously been considered and reported on by technical panels.

2. The study was undertaken under the chairmanship of Mr. G. Carney, County Supplies Officer to the Kent County Council and himself a member of the Joint Review Body. The other members of the study group were:

Mr. N. C. Dowell, A.R.I.B.A.,  
City Architect, Portsmouth.

Mr. C. Knoll,  
Supplies and Services Organiser,  
London Borough of Croydon Education Committee.

Mr. G. R. Potter,  
Second Deputy Education Officer, Hampshire County Council.

Representatives of the Department of Education and Science and of the British Standards Institution attended meetings of the study group and information and comment were supplied also by the Council of Industrial Design and the Ministry of Technology.

3. The study group concluded that the Joint Review Body's proposals were feasible. They recommended that all the proposed functions should be handled by one committee rather than two as the Joint Review Body had originally envisaged. They suggested terms of reference for that committee and made detailed recommendations on its functions and mode of operation. The Joint Review Body accepted the findings of the pilot study; the appropriate paragraphs of the main body of this report have been written accordingly and it seems unnecessary to cover the same ground in any detail here.

4. The pilot study's report to the Joint Review Body was a comprehensive and detailed document which will be available to any National Advisory Committee which may be set up as the result of this report. The pilot study's views on two particular aspects are summarised in the paragraphs below.

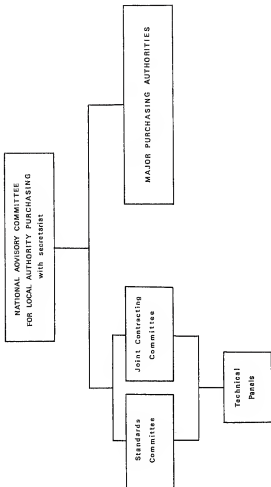
### **5. *Research and Technical Work***

The specialised nature and the complexity of the work on specifications and designs with which the Standards Committee will be concerned demand that the committee be serviced by appropriately technically qualified staff. That staff should be part of the National Advisory Committee's secretariat.

6. *Co-operation with the British Standards Institution*

- (a) When products are manufactured under the B.S.I.'s Kite-mark quality certification scheme, buyers are relieved of the necessity to provide their own detailed quality control system. Further, the B.S.I. is able to provide quality control services to large buyers for products manufactured to the buyers' own specifications. It would clearly be advantageous to the local authority sector as a whole if maximum possible use was to be made of the existing facilities offered by the B.S.I.;
- (b) whenever a specification is to be drawn up for an item required by local authorities, that should be done in close collaboration with the B.S.I. who already have the necessary staff and procedures;
- (c) where design and development work is carried out by the local authority sector on the basis of an existing British Standard, and possibly also where a local authority specification is drawn up as in (b) above, the B.S.I. has indicated its willingness to consider classifying the resultant specification in such a way as to differentiate it from the usual British Standard Specification (B.S.S. No.....). A classification such as Public Sector Specification (P.S.S. No. ....) is envisaged.
- (d) Ultimately (that is, if the Joint Review Body's recommendations for national co-ordination are implemented) it will be necessary for the National Advisory Committee and the B.S.I. to consider together the future role of the existing B.S.I. Local Authorities' Standards Advisory Committee.

## NATIONAL COORDINATION OF LOCAL AUTHORITY PURCHASING





Report of the  
Joint Review Body on  
Local Authority Purchasing



*LONDON*

HER MAJESTY'S STATIONERY OFFICE

1968

SBN 11 750120 4

## MEMBERS OF THE JOINT REVIEW BODY

### LOCAL GOVERNMENT

*Members were nominated by the local authority Associations and the Greater London Council as follows:*

#### *Association of Municipal Corporations*

- A. L. Burton, Esq., Lord Mayor of Westminster 1966-67 (*Chairman*)
- J. E. Hockley, Esq., M.B.E., Councillor, County Borough of West Bromwich
- D. J. Ewart, Esq., Director, Central Purchasing and Supplies Department, City of Liverpool
- S. J. Kent, Esq., Treasurer, City of Leicester

#### *County Councils Association*

- J. H. S. Eve, Esq., J.P., Vice-Chairman, Surrey County Council
- G. Carney, Esq., County Supplies Officer, Kent County Council
- A. H. M. Smyth, Esq., Clerk, Hampshire County Council

#### *Rural District Councils Association*

- G. Bowden, Esq., General Manager, Epping and Ongar R.D.C.
- R. G. Walker, Esq., G.M., Engineer and Surveyor, Hitchin (Herts) R.D.C.

#### *Urban District Councils Association*

- H. S. Haslam, Esq., O.B.E., Secretary, U.D.C. Association
- F. G. Sutherland, Esq., Clerk, Dorking U.D.C. and Chairman, Executive Committee of U.D.C. Association

#### *Greater London Council*

- A. S. Peacock, Esq., Until recently Chairman, Supplies Sub-Committee of Finance and Supplies Committee, G.L.C.
- W. L. Hooper, Esq., Senior Assistant Clerk, G.L.C.
- A. Morrison, Esq., Executive Director, Department of Highways and Transportation, G.L.C.; formerly Director of Supplies, G.L.C.

### CENTRAL GOVERNMENT

*The following government departments were represented:*

- Ministry of Defence
- Department of Economic Affairs
- Department of Education and Science
- Ministry of Health
- Home Office
- Ministry of Housing and Local Government
- Ministry of Public Building and Works
- Her Majesty's Stationery Office
- Ministry of Technology
- Ministry of Transport

**Secretary:** C. W. Pratley, Esq., Ministry of Housing and Local Government

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